

Message Text

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ACTION EUR-25

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E.O. 11652: N/A

TAGS: TECH, EEC, US

SUBJECT: URANIUM ENRICHMENT CONTRACTS

1. BEGIN SUMMARY: EC COMMISSION VICE PRESIDENTS SOAMES AND SIMONET HAVE EXPRESSED THEIR CONCERN ABOUT USAEC'S INABILITY TO MEET REQUESTS RECENTLY MADE BY EC UTILITIES FOR URANIUM ENRICHMENT SERVICES. THEY EMPHASIZED THAT ANY SOLUTION TO THE CURRENT PROBLEM SHOULD BE NON-DISCRIMINATORY AND SHOULD NOT FAVOR NEWER CUSTOMERS OVER LONG-STANDING EC CUSTOMERS. SOAMES IS ESPECIALLY CONCERNED ABOUT WHAT HE CALLED THE "POLITICAL SIGNIFICANCE" OF CONTRACTING ENRICHMENT SERVICES FOR EGYPT AND ISRAEL AHEAD OF OUTSTANDING REQUESTS FROM EC CUSTOMERS.

END SUMMARY.

2. AMBASSADOR GREENWALD WAS ASKED TO CALL ON EC COMMISSION VICE PRESIDENTS SOAMES AND SIMONET JULY 1 TO DISCUSS URANIUM ENRICHMENT CONTRACTS BETWEEN COMMUNITY UTILITIES CUSTOMERS AND USAEC. SIMONET SAID THE COMMISSION WAS CONCERNED ABOUT THE DISCREPANCY BETWEEN THE ENRICHMENT SERVICES WHICH AEC CAN PROVIDE AND THE NUMBER OF CONTRACTS FOR THOSE ENRICHMENT SERVICES WHICH COMMUNITY UTILITIES FIRMS HAVE REQUESTED. HE SAID THAT A NUMBER OF COMMUNITY UTILITIES

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TIES WILL BE SERIOUSLY AFFECTED IF THEIR

REQUESTS ARE NOT FULFILLED. IF THE DIFFICULTIES ARE NOT RESOLVED AND IT BECOMES NECESSARY TO ALLOCATE ENRICHMENT SERVICES, THE COMMISSION WOULD URGE THAT TWO PRINCIPLES BE FOLLOWED:

A) THERE SHOULD BE NO DISCRIMINATION AGAINST COMMUNITY CUSTOMERS, EITHER IN FAVOR OF DOMESTIC US CUSTOMERS OR NEW FOREIGN CUSTOMERS.

B) IF AN ALLOCATION OF ENRICHMENT SERVICES IS NECESSARY, IT SHOULD BE NOTED THAT COMMUNITY UTILITIES HAVE BEEN FAITHFUL CUSTOMERS AND HAVE RELIED ALMOST EXCLUSIVELY UPON USAEC FOR ENRICHED URANIUM.

3. IN RESPONSE, AMBASSADOR GREENWALD NOTED THE EARLIER NEGATIVE REACTION TO OUR NEW CONTRACTING PROCEDURES AND SAID THESE NEGATIVE REACTIONS HAD LED US TO BELIEVE THAT MANY COMMUNITY CUSTOMERS DID NOT WISH TO CONTRACT FOR AEC ENRICHMENT SERVICES. A FLOOD OF UNEXPECTED CONTRACTS WERE RECEIVED IN EARLY JUNE AND IT HAS NOW BEEN RECOGNIZED THAT OUR STATUTORY ENRICHMENT LIMIT WILL BE EXCEEDED. LATE REQUESTS FOR CONTRACTS CANNOT BE HONORED UNTIL WE KNOW WHETHER PLUTONIUM RECYCLING AND A CHANGE IN TAILS ASSAY WILL ENABLE US TO STRETCH OUR ENRICHMENT CAPABILITY. THIS WILL BE KNOWN WITHIN THE NEXT 30 DAYS. A PROBLEM ARISES NOW BECAUSE PLUTONIUM RECYCLING HAS NOT YET BEEN APPROVED WITHIN THE AEC. PLUTONIUM RECYCLING, EVEN IF APPROVED, WILL ADD ONLY AN ADDITIONAL 20 PERCENT TO OUR ENRICHMENT CAPABILITY AND WE STILL WOULD HAVE PROSPECTIVE UNSATISFIED COMMUNITY CUSTOMERS WHOSE REQUIREMENTS COULD ONLY BE MET BY CHANGING THE TAILS ASSAY FOR A FURTHER STRETCHING.

4. SIMONET NOTED THAT IF THE DECISION IS MADE TO ALLOCATE ENRICHMENT SERVICES ON A FIRST-COME-FIRST-SERVED BASIS THIS MIGHT NOT SATISFY EUROPEAN REQUIREMENTS. EURATOM SUPPLY AGENCY DIRECTOR OBOUSSIER COMMENTED THAT THE CONTRACTS HAD BEEN RECEIVED IN BRUSSELS ON JUNE 26 AND THAT IF A POLICY OF FIRST-COME-FIRST-SERVED WERE TO BE FOLLOWED AFTER NOT HAVING PROVIDED THOSE CUSTOMERS THE TIMELY POSSIBILITY OF REVIEWING AND CONCLUDING CONTRACTS, THIS WOULD BE UNFAIR. SOAMES COMMENTED THAT THE EUROPEAN CUSTOMERS APPEAR TO HAVE DONE THEIR BEST TO MEET THE TIME SCHEDULE SET BY AEC AND ASKED WHETHER EUROPEANS SHOULD HAVE BEEN EXPECTED TO LIMITED OFFICIAL USE

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REALIZE THE APPROACHING DANGER. SIMONET SAID THAT THE EUROPEAN CUSTOMER SHARED SOME RESPONSIBILITY FOR THIS DIFFICULTY BECAUSE THEY SHOULD HAVE BEEN AWARE OF THE APPROACHING SHORTAGE, BUT THAT THEY HAD BEEN MISLED BY THE ENCOURAGING SPEECH IN APRIL OF AEC COMMISSIONER LARSEN IN WHICH HE HAD NOTED THE PROBABLE ABUNDANCE OF ENRICHMENT CAPABILITY. WE NOTED THAT ENRICHMENT CONTRACTS HAVE BEEN SIGNED WITH US AND OVERSEAS CUSTOMERS WHO HAD SUBMITTED THEIR CONTRACT REQUESTS WELL IN ADVANCE OF THE

JUNE 30 DEADLINE.

5. SOAMES THEN PROCEEDED TO DISCUSS THE DIFFICULTY WHICH IS OBVIOUSLY THE GREATEST FOR THE COMMISSION. HE SAID THAT COMMUNITY CUSTOMERS NOW SUDDENLY FIND THAT WHAT THEY HAD BELIEVED TO BE AN ORDERLY PROCESS HAS NOT BEEN SATISFACTORY, AND OTHER CUSTOMERS WHO HAVE NOT BEEN LONG-STANDING SATISFACTORY CUSTOMERS (EGYPT AND ISRAEL) HAVE BEEN SIGNED. HE ASKED SPECIFICALLY WHETHER IT WAS NOT TRUE THAT WE HAD SIGNED ENRICHMENT CONTRACTS WITH ISRAEL AND EGYPT AT THE TIME WE WERE SAYING TO COMMUNITY CUSTOMERS THAT WE COULD NOT SIGN THEIR CONTRACTS. HE SAID HE WISHED TO UNDERLINE THE POLITICAL SIGNIFICANCE OF THIS DIFFICULTY. WE RESPONDED THAT WE HAD QUERIED THE POTENTIAL COMMUNITY CUSTOMERS IN MARCH AND MAY AND, ON THE BASIS OF THAT SURVEY, HAD REPORTED TO WASHINGTON THAT THERE APPEARED TO BE LITTLE FIRM INTENTION TO CONTRACT WITH AEC. SOAMES SAID AGAIN THAT THIS IS A MATTER OF CONSIDERABLE SIGNIFICANCE AND ASKED THAT WE INFORM THE COMMISSION AS SOON AS POSSIBLE OF OUR DECISION REGARDING OUR ABILITY TO CONTRACT FOR FURTHER ENRICHMENT SERVICES. HE CONCLUDED BY ASKING THAT HIS COMMENTS ON THE POLITICAL SIGNIFICANCE BE CONVEYED TO WASHINGTON.

6. COMMENT: IT IS CLEAR THAT THE DECISION TO SIGN ENRICHMENT CONTRACTS WITH MIDDLE EAST CUSTOMERS NAD NOT TO SIGN WITH EUROPEAN UTILITIES FIRMS, WHOM THE COMMISSION CONSIDERS TO BE LONG-STANDING AND FAITHFUL CUSTOMERS, MAY PRESENT US WITH A DIFFICULT POLITICAL SITUATION. WHILE SOME COMMISSION OFFICIALS, SUCH AS SIMONET AND OBOUSSIER, AGREE THAT THE PRESENT SITUATION IS ONE FOR WHICH THE COMMUNITY CUSTOMERS SHARE A LARGE PART OF THE RESPONSIBILITY, THEY ARE HOPING THAT A SOLUTION BE AS NON-DISCRIMINATORY TO EUROPEANS AS POSSIBLE. WE URGE THAT ANY PUBLIC STATEMENT ON THIS SUBJECT TAKE INTO ACCOUNT TO THE EXTENT POSSIBLE THE POINTS RAISED BY SOAMES AND SIMONET AND THAT WE BE PROVIDED WITH A RESPONSE TO BE LIMITED OFFICIAL USE

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CONVEYED TO THEM AS SOON AS POSSIBLE. GREENWALD

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